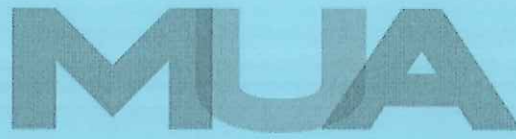


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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

**MBA 504: SUPPLY CHAIN MANAGEMENT**

**DATE: 1<sup>ST</sup> AUGUST 2018**

**DURATION: 3 HOURS**

**MAXIMUM MARKS: 60**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

**LEASING TO IMPROVE YOUR ORGANISATION'S COMPETITIVE EDGE**

In Kenya, small and mid-sized companies are finding it hard to access credit while the larger, more financially stable ones want to preserve their credit line to prevent such constraints. Most managers are searching hard for practical solutions that will perk up the bottom line while preserving the organisation's human face; they want to avoid laying off staff but are concerned by the tight cash flow situation.

However many Kenyan companies seem oblivious to the benefits of outsourcing their non-core services as a business recovery strategy. There are a number of activities that businesses can outsource. For example, manufacturing companies are better off outsourcing the transport aspect of their business and concentrating on producing goods for the market. This leaves them free to focus on their core business this enhancing quality, improving efficiency and reducing overheads. In addition, the manufacturer also avoids the hassle of sourcing large amounts of capital to buy high-cost assets.

Vehicle and Equipment Leasing Limited ( Vaell), a leasing company located along Ngong Road in Karen is an example of a company that has tapped into outsourcing. According to the company's Head of Trucks and Wet Lease, Mr. Maina Nduati, Vaell was established to change how business views their assets. "An asset should be a means of production and not an end in itself," he says. In other words, an asset that is not boosting a company's bottom line is worthless. "If you own a truck, your greatest endeavour should be never to see it idle. Otherwise, every time it is idle means you are losing money. The same case applies to airplanes and ships but we never stop to think why their owners don't want to see them inactive." Mr. Nduati says.

In the same breath, if a company acquires semi-utilised assets or personnel, it ends up losing hard-earned money. The activities that such assets or workers were meant to serve are better off outsourced. Indeed, this trend is widely sanctioned by



multinationals in Kenya. Leasing according to the veteran transporter, is paying a fee to acquire or utilize an asset. However, 'acquiring' often costs a company several times more than leasing would, especially if acquiring is done through the process of hire purchase.

The rationale behind leasing is to charge an institution or individual ( lessee) the residual value of an asset ( 85% over a long period) rather than paying for it 100%. The cost of maintenance and depreciation is also borne by the property owner. In November last year, Vaell launched a scheme that enables comoanies to acquire new trucks and have the accompanying fleet logistics professionally and efficiently managed for them. The scheme is provided to interested clients after their individual needs have been analysed.

"We are not just a transport company, we take time to understand a client's business and offer them the most suitable solutions, " Mr. Nduati adds. The leasing company is benefitting from the vast experience of personnel such as Mr. Nduati, who worked for Multiple Hauliers as its Head of Operations. While launching the leasing products, Mr. Paul Njeru, Vaell's managing director said that the company had responded to demands by clients who needed trucks but preferred to concentrate on their core production activities rather than acquire them. "Some companies want the leased trucks to be maintained and insured on their behalf, so we tailored a scheme that enables this,"Mr. Njeru says.

Vaell designed two types of truck lease options. One referred to as lease and management, or wet lease, includes a monthly lease payment that covers insurance and maintenance costs for each vehicle. Under this category, drivers are also made available.

The second scheme is called a dry truck lease and is meant for companies that prefer to insure, manage and maintain their fleets. Companies that have engaged Vaell's services are spared the trouble of establishing or expanding their logistic department and they save money by sidestepping full payments for the assets they utilize. "Over a one year lease period, this scheme will heilp deliver cost savings of up to Ksh.



500,000. As compared to normal truck hire in a similar period, and at present average costs,"Mr. Nduati says. He hopes more Kenyan companies will embrace outsourcing as it is the future model of doing business. Hr warns those who want to cling to the past that they risk losing their competitiveness in a dynamic environment.

**Required:**

- a) Discuss the importance of outsourcing as a model of cost management and competitiveness in supply chain management. **(12 marks)**
- b) Explain the challenges of outsourcing as a supply chain strategy in organisations involved with distribution of goods. **( 10 marks)**
- c) Discuss how organisations can mitigate against the challenges of outsourcing discussed in b) above. **( 8 marks)**

**QUESTION TWO**

- a) The successful implementation of Electronic Data Interchange (EDI) requires greater consultation with all stakeholders in an enterprise. Discuss the purposes of the consultations. **( 8 marks)**
- b) To improve the efficiency of the supply chain strategically it is imperative that information is communicated quickly to those who need it for decision-making purposes. Discuss how information technology can contribute to efficiency and effectiveness in this area. **( 7 marks)**

**QUESTION THREE**

Supply chain management represents a relatively new way of approaching business and different views exists regarding the process involved, the key process typically would include customer relationship management, customer service management, demand management, order fulfillment, manufacturing flow management, procurement and product development and commercialization. Discuss **(15 marks)**

#### QUESTION FOUR

- a) Executives would want to manage their supply chains to the point of consumption because whoever has the relationship with the end user has the power in supply chain. Explain. (8 marks)
- b) Successful supply chain management requires a change from managing individual functions to integrating activities into key supply chain processes. Operating an integrated supply chain requires continuous information flow, which in turn helps create the best product flows. Discuss (7marks)

